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SUBJECT: LEBANON: MINIMUM WAGE CONTROVERSY AMONG ISSUES FORCING
CABINET TO CANCEL ITS SESSION (ECONOMIC WEEK IN REVIEW, SEPTEMBER 1
- 7, 2008)

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MINIMUM WAGE CONTINUES TO STIR CONTROVERSY,
LABOR CONFEDERATION THREATS "EMPTY"

11. (SBU) The cabinet cancelled its September 4 session due to lack of consensus on minimum wage increases. The next cabinet session is scheduled for September 9, and though the minimum wage is not on the formal agenda, contacts tell us it may still be discussed. So far, disagreement among cabinet members has centered on the amount of an increase, as well as on whether the GOL will insist on a private sector increase in addition to the public sector one. Although the previous cabinet decided to raise the minimum wage from \$200 to \$333 in May 2008, it did not issue the necessary decree (for private sector increases) and draft law (for public sector increases) to implement the increase.

12. (SBU) Head of the General Labor Confederation (GLC) Ghassan Ghosn -- an opposition supporter -- has been threatening to take to the streets if the GOL does not increase the minimum wage to \$640. A long time GLC staffer told us on September 3, however, that his threats are empty. When asked what would trigger the GLC to take to the streets, she said that it would not be anything related to labor demands, but "political conditions." (Note: The GLC's May demonstration to increase the minimum wage was used as a pretext for pro-opposition forces to take to the streets, resulting in the May 2008 clashes. End note.)

FINANCE MINISTER ESTIMATES FIVE PERCENT GROWTH IN 2008;
TIMETABLE FOR FINANCIAL REFORMS TO BE SET SOON

¶13. (U) In an interview with French-language daily L'Orient le Jour on September 4, Minister of Finance Mohammad Chatah estimated economic growth would reach around five percent in 2008, noting that Lebanon had the potential for eight to nine percent growth per year.

Chatah said that the public deficit would increase in the coming months because of transfers to national power utility Electricity du Liban (EDL), an expected rise in world interest rates, and the upcoming rise in the minimum wage. Although he recognized the importance of increasing the minimum wage, as decided by the previous cabinet in May 2008, Chatah estimated that a \$133 increase in the minimum wage in the public sector would cost the GOL around \$533 million per year.

¶14. (U) The timetable for financial reforms in 2008 -- including raising the value-added tax and tax on interest on deposits as agreed during the Paris III conference -- has been delayed due to the political and security situation in recent years, Chatah said, but dates for implementation will be determined soon.

COPYRIGHT-BASED INDUSTRIES CONTRIBUTE
AROUND 4.75 PERCENT OF GDP IN 2005

¶15. (U) On September 5, the Ministry of Culture (MOC) presented a study on the economic contributions of copyright-based industries in Lebanon, done in collaboration with the World Intellectual Property Organization (WIPO) and Lebanese consultant Roger Melki. According to the study's findings, the contribution of copyright-based industries to the Lebanese economy in 2005 (the most recent year for which data is available) reached 4.75 percent of GDP, while these industries accounted for 4.49 percent of total employment, or around 50,000 workers. The study identified a clear competitive edge in

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the Lebanese publishing industry, and WIPO expressed its willingness to follow-up with further studies on the sector, to establish capacity building activities and to improve data collection practices.

¶16. (SBU) Meanwhile, DG of the MOC Dr. Omar Halablab told us that work on amending the law on the Protection of Literary and Artistic Property, in cooperation with the World Intellectual Property Organization (WIPO), is well underway. Halablab expected the draft to be sent to Parliament at the end of September, following the expected passage of a new electoral law.

PARLIAMENT ESTABLISHES PUBLIC DEBT MANAGEMENT OFFICE
AT THE MINISTRY OF FINANCE

¶17. (U) On August 26, parliament ratified a law establishing a specialized directorate at the Ministry of Finance (MOF) to manage public debt, with an aim to centralizing debt management and consolidating all debt-related functions. The office will be in charge of market activity, issuing, buying and swapping debt instruments, as well as reimbursing interest. The law also mandates the creation of a supervisory board chaired by the Minister of Finance, joined by the MOF's director general, directors of budget and treasury, and a representative of the Central Bank of Lebanon. This new law is part of the GOL's pledge for financial sector reform as part of Paris III.

LEBANON SIGNS MOU WITH THE UN
INDUSTRIAL DEVELOPMENT ORGANIZATION

¶18. (U) During the visit of UN Industrial Development Organization (UNIDO) Director General Dr. Kandeh Yumkella to Beirut on August 23, the Ministry of Industry (MOI) signed an MOU with UNIDO defining the practical framework of the organization's activities in Lebanon. UNIDO will assist the MOI in implementing its strategy to enhance Lebanon's industrial sector, including encouraging private and public sector collaboration, supporting agro-industries in collaboration with the Ministry of Agriculture, support the Lebanese Cleaner Production Center (LCPC) to encourage environmentally-friendly industries, and continuing supporting small

and medium size enterprises.

GOLDMAN SACHS: LEBANON FALLS IN 2007
GROWTH ENVIRONMENT SCORES

¶9. (U) Investment bank Goldman Sachs ranked Lebanon 118 out of 181 countries worldwide on its Growth Environment Scores (GES) index for 2007, down from 116 in the 2006 index. Lebanon also ranked 15 out of 20 MENA countries, unchanged from the 2006 index. Goldman Sachs noted that Lebanon was one of 14 developing countries that witnessed deterioration in growth conditions over the past ten years. The GES is a composite measure of economic growth conditions, based on 13 indicators grouped in five broad categories: macroeconomic stability, macroeconomic conditions, human capital, technological capabilities, and political conditions.

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